



General Assembly

February Session, 2022

Raised Bill No. 5319

LCO No. 2599



Referred to Committee on BANKING

Introduced by:
(BA)

AN ACT CONCERNING DISCLOSURE OF PREPAYMENT PENALTIES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 36a-260 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2022*):

3 (a) A Connecticut bank may make secured and unsecured loans,
4 except as otherwise expressly limited by sections 36a-261 to 36a-266,
5 inclusive.

6 (b) At least once a year, the governing board of each Connecticut bank
7 shall adopt a loan policy governing loans made pursuant to sections
8 36a-260 to 36a-266, inclusive. The governing board of each Connecticut
9 bank shall develop and implement internal controls that are reasonably
10 designed to ensure compliance with such loan policy. The loan policy
11 shall require applications for all loans, and address the categories and
12 types of secured and unsecured loans offered by the bank, the manner
13 in which loans will be made and approved, underwriting guidelines
14 and collateral requirements, and, in accordance with safety and
15 soundness, acceptable standards for title review, title insurance and

16 appraiser qualifications, policies for the approval and selection of
 17 appraisers, appraisal and evaluation standards, and the bank's
 18 administration of the appraisal and evaluation process. The loan policy
 19 and any loan made pursuant to the policy shall be subject to the
 20 examination of the commissioner concerning safe and sound banking
 21 practices.

22 (c) The governing board of each Connecticut bank shall adopt a loan
 23 review policy that is designed to ensure that all material loans made by
 24 the Connecticut bank pursuant to sections 36a-260 to 36a-266, inclusive,
 25 are reviewed. The policy shall establish appropriate standards,
 26 consistent with prudent risk management principles, for the review to
 27 address the bank's compliance with the loan policy adopted pursuant to
 28 subsection (b) of this section and the need for plans to implement special
 29 collection, workout, divestiture or other means of bringing such loans
 30 into compliance with the loan policy. The loan review policy shall be
 31 appropriate to the size of the Connecticut bank, its financial condition
 32 and the nature and scope of its activities. The governing board shall also
 33 adopt, as part of the loan review policy, standards for determining
 34 which loans are material for purposes of this subsection. When adopting
 35 the materiality standards, the governing board shall consider, where
 36 appropriate, the inclusion of standards based on the size of the loan in
 37 relation to the Connecticut bank's total capital and reserves for loan and
 38 lease losses, and such other factors that may present material risks to the
 39 institution. The loan review policy and any loan reviewed pursuant to
 40 such policy shall be subject to the examination of the commissioner
 41 concerning safe and sound banking practices. At least semiannually, the
 42 governing board of each Connecticut bank or a committee designated
 43 by such board shall conduct an assessment of the loan reviews. The
 44 minutes of the meeting of such governing board or committee shall
 45 recite the results of the assessment of the loan reviews.

46 (d) Each person who makes a loan to a borrower that includes a
 47 prepayment penalty shall, prior to completing the execution of the loan
 48 agreement, provide a clear and conspicuous disclosure to the borrower
 49 of the amount that such prepayment penalty will be if the loan is repaid

50 during each billing cycle throughout the life of the loan. Such disclosure
51 shall be signed by the borrower.

This act shall take effect as follows and shall amend the following sections:		
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Section 1	<i>October 1, 2022</i>	36a-260
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Statement of Purpose:

To require the disclosure of prepayment penalties.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]